



RAG American Coal Holding, Inc.

July 3, 2001

Minerals Management Service
ATTN: Information Collection Clearance Officer
OMB Control Number 1010-0120
Mail Stop 4230
1849 C Street, NW
Washington, D.C. 20240

Re: Comments on the Accuracy of the Burden Estimates in Proposed Solid Mineral
Reporting Requirements (66 Fed. Reg. 30121)

Dear Sir or Madam:

On June 5, 2001, the Department of Interior requested comments on their Minerals Management Service's ("MMS") proposed reporting requirements for solid minerals. This letter provides RAG American Coal Holding Inc.'s ("RAG") comments on the accuracy of the burden estimates in the proposed rule. RAG's subsidiaries hold federal coal leases in the states of Colorado, Utah and Wyoming.

RAG is a participating member of the solid mineral operational model that was initiated by the MMS to test proposed reengineered business processes and new reporting formats.

RAG supports the proposed Form MMS-4430 and the proposed Internet submission. The replacement of the current eight reporting forms by the Form MMS-4430 with its functionality capabilities simplifies the reporting of solid mineral royalties. RAG believes that the average reporting burden for completing Form MMS-4430 in the proposed rule is reasonable.

However, RAG has significant concerns that the average reporting burden estimates for submitting sales summaries and contracts and contract amendments contained in the proposed rule are greatly understated. (66 Fed. Reg. 30126 and 30129)

We are concerned because the proposed rule significantly changes the current rules regarding the submission of information to the MMS and goes well beyond the requirements of our leases with the Bureau of Land Management ("BLM"). The proposed rule is changing the current rule's "upon request" concept to "a required" concept, with the lessee responsible for determining the documents and other supplemental information that has to be provided without specific guidance or direction. Our lease agreements with the BLM only require RAG to provide "information and documents that are *reasonably necessary* to verify lessee compliance with the terms and conditions of the lease." Emphasis added.

EXHIBIT A

As discussed below, RAG believes that the average reporting burden for the proposed rule is greatly understated.

SALES SUMMARIES

The proposed rule's estimate for the average reporting burden for sales summaries is 15 minutes per month.

Proposed § 210.202(a) includes a table identifying the data elements that a lessee must submit to the MMS. Two of the data elements to be submitted on a monthly basis are processing or washing costs and transportation costs.

Since the proposed rule provides no guidance regarding the cost information to be submitted for processing or washing costs and transportation costs, RAG assumes that these costs are to be calculated and submitted monthly in accordance with § 206.259 (Determination of washing allowances) and § 206.262 (Determination of transportation allowances). These costs are currently calculated annually for non-arm's-length contracts.

The burden to report the processing or washing and transportation costs in accordance with § 206.259 and § 206.262 will vary based upon whether the costs are incurred under arm's-length contracts or if the lessee has a non-arm's-length contract or has no contract. The calculation under a non-arm's-length contract will require significantly more time than the calculation under an arm's-length contract.

Based on our previous experience in complying with § 206.259 for a non-arm's-length contract, we estimate it will take a minimum of eight hours each month to make the non-arm's-length calculation for our coal washing costs.

CONTRACTS AND CONTRACT AMENDMENTS

The proposed rule's estimate for the average reporting burden for contracts and contract amendments is one hour per year or 15 minutes for each quarterly submission.

Proposed § 210.203(a) defines sales contracts to be "sales contracts, agreements, contract amendments, or other documents that affect gross proceeds received for the sale of all coal and other solid minerals produced from Federal and Indian leases with ad valorem terms."

As a participant in the solid mineral operational model to test proposed business processes and new reporting formats, RAG has been submitting copies of contracts, agreements and contract amendments to the MMS on a semi-annual basis for three lessees.

The actual time required to submit the contracts, agreements and contract amendments varies based on the number of customers each lessee has. It has been our experience that the each customer file has to be examined in its entirety each time we make a contract submission to determine if any contracts, agreements or contract amendments have been filed since the previous submission. In addition, we are maintaining an index of contracts, agreements and contract amendments previously submitted to the MMS in order to avoid duplicate submissions and to identify contracts, agreements and contract amendments that have not been submitted. Based on our experience in providing these copies, we estimate that it will take between two and six hours per quarter for a lessee to submit only contracts, agreements and contract amendments.

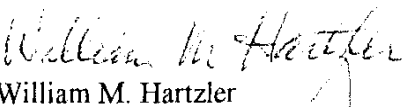
Included in the definition of sales contracts in § 210.203(a) is the phrase "other documents that affect gross proceeds received for the sale of all coal and other solid minerals." Because the phrase "other documents that affect gross proceeds" is an all-encompassing definition, the lessee has the impossible burden of trying to determine what "other documents" must be submitted. In order to comply with the contract submission provision in the proposed rule, every document received from a third-party or worksheet created by the lessee to support the amount invoiced (i.e. train manifest with weights, individual shipment quality analysis), all supporting documentation and worksheets to a price escalation calculated pursuant to the terms of the contract and all correspondence with each customer will have to be reviewed by a knowledgeable individual within the lessee's organization to determine if the document has to be submitted to the MMS. RAG is unable at this time to make an estimate of the time that might be required to comply with this portion of the proposed rule each quarter, but believes it will be significant.

CONCLUSION

Although RAG supports the objective of the revisions to the solid mineral reporting program, the burden estimates for the lessee to comply with the proposed rule are significantly understated. Our comments have identified understated burden estimates that result from the proposed rule's unclear and ambiguous information submission requirements and, as such, increase rather than reduce RAG's cost to comply.

RAG appreciates the opportunity to comment on the proposed rule.

Sincerely,


William M. Hartzler
Tax Manager

Cc C. C. Bromley
G. A. Walker
F. J. Wood